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C O N F I D E N T I A L SECTION 01 OF 03 HONG KONG 001315

SIPDIS

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TAGS: PREL PGOV ECON EAGR PHUM MARR CH HK
SUBJECT: CONSUL GENERAL'S FAREWELL CALL ON HK CHIEF
EXECUTIVE TSANG

Classified By: CONSUL GENERAL JOE DONOVAN; REASONS 1.4(B) AND (D)

¶11. (C) Summary. During the Consul General's farewell call on July 16, Chief Executive (CE) Donald Tsang expressed appreciation for our close cooperation and highlighted the importance of continued high-level contact between Hong Kong and Washington. Tsang extended an invitation to President Obama to visit Hong Kong when he travels to Beijing, noting that there is an enormous amount of support in Hong Kong for the President. Tsang expressed unhappiness with the State Department's decision to downgrade Hong Kong from Tier One to Tier Two in this year's Trafficking in Persons Report and invited G/TIP Ambassador CdeBaca to visit Hong Kong. The CG stressed that human trafficking is a difficult problem globally. He expressed appreciation for the strong record of law enforcement cooperation between the United States and Hong Kong, particularly on immigration issues, and promised to follow up with G/TIP to urge an early visit. The CG outlined several fundamental yet unresolved political questions that are key to Hong Kong's continued success. Tsang maintained that Hong Kong's pursuit of democratic reforms must be done with mutual respect for the sovereign (i.e. Beijing). In economic, health care, and social areas, Tsang said Hong Kong is "doing its own thing." The CG raised the importance of finding a suitable replacement for the Fenwick Pier facility to support Navy ship visits, as the Pier will be lost to ongoing harbor reclamation and waterfront redevelopment possibly as early as mid-2011. He warned about problems implementing Hong Kong's nutritional labeling legislation that will take effect in July 2010, particularly with respect to the more than 30,000 packaged food products that will be eligible for a "small volume exemption" from Hong Kong's one-of-a-kind labeling requirements. Tsang thanked the CG for his service and promised to follow up on our concerns regarding Fenwick Pier and nutritional labeling. End summary.

Important to Maintain Close Contact

¶12. (C) Congratulating the Consul General on his upcoming assignment, CE Tsang noted that while he was sorry to see CG Donovan leave after just one year, he nonetheless respected sovereign decisions and said CG Donovan had made many friends in Hong Kong. Commenting on the pressures of governing Hong Kong, the CE remarked, "I am being roasted every day on things over which I have no control." (Note: Based on a University of Hong Kong poll reported in the press on July 15, the proportion of people who approved of Tsang's performance dropped to 40 percent, an all-time low for the CE. End note.) Tsang said it was a fascinating and challenging period in a "very strange world." There were "vicious people") a reference to Al Qaeda and the Taliban - fighting unnecessary wars. Tsang also mentioned the recent ethnic violence in Xinjiang, and regional and global concern with North Korea. He stressed it was important in the months and decades ahead to keep diplomatic channels open between

the United States and Hong Kong, and spoke to the common values that bind Hong Kong and the United States. Tsang said he would do his best to ensure that Hong Kong remains a "very unique place in Asia and a very unique place in China." The CG expressed appreciation for his time in Hong Kong, for Tsang's support and for his willingness to meet senior U.S. delegations and visitors.

Invitation to President Obama to Visit Hong Kong

¶3. (C) Tsang expressed the hope that President Obama would visit Hong Kong when he visits Beijing. He said there is an enormous amount of support for the President to succeed. If the President visited, Tsang continued, he would see a part of China that differs socially, politically and economically from the mainland. Tsang said the HKG would ensure the best arrangements for his visit, including seeing "those that are friendly to us and those who aren't."

Disappointment over TIP Downgrade,
Invitation to G/TIP Ambassador

¶4. (C) CE Tsang then turned to Hong Kong's unhappiness that Hong Kong was downgraded from Tier One to Tier Two in this year's TIP report. The CE said Hong Kong welcomed G/TIP Ambassador CdeBaca to visit Hong Kong. He said HK authorities have been "scratching their heads" to try and understand the reason for the downgrade, and stressed that Hong Kong will continue to protect human rights and take strenuous action against human trafficking. The HKG, he

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added, does not believe it has reduced its efforts "one iota" over the past year. Tsang said he understood from the TIP report that Hong Kong's downgrade was based on the lack of trafficking-related prosecutions in 2008, but added that the courts cannot prosecute offenders if there are no cases. The CG responded that trafficking was a difficult problem worldwide, including in the United States. He expressed appreciation for the strong record of law enforcement cooperation between the United States and Hong Kong, particularly on immigration issues. The CG agreed it would be a good idea to have G/TIP Ambassador CdeBaca visit Hong Kong at an early date, and promised to follow up on his return to Washington.

CG Stresses Importance of Progress on Constitutional Reform

¶5. (C) The CG said that in his public statements in Hong Kong he had highlighted the importance to the United States of Hong Kong's continued success, including Hong Kong's free press, independent judiciary, rule of law, and respect for human rights. There are a number of fundamental political questions that have not yet been resolved in Hong Kong that are vital to Hong Kong's continued success. They include: the process for selecting the Chief Executive and members of LegCo, the relationship between LegCo and the executive branch, and the relationship between Hong Kong and the central government. These are all tough issues that will have a tremendous impact on Hong Kong's continued success. Adding that he thinks Tsang has the toughest job in Hong Kong, the CG said it is important to be a forceful advocate for Hong Kong, something he knew Tsang was doing behind the scenes. Speaking to the difficulty of his position, Tsang said that since Hong Kong is not a sovereign nation, it cannot "call all the shots." Progress on these issues will require time for each side to better understand each other, he said.

Tsang: Limits to Hong Kong's Autonomy

¶6. (C) Tsang asserted that he has been faithfully conveying

Hong Kong's concerns to Beijing and that "Beijing has been listening." Pursuit of democracy must be done from the standpoint of "mutual respect of the sovereign and trust," said Tsang. Referring to Pan Democrats in LegCo, Tsang maintained that "if you confront and antagonize (Beijing), you get nowhere." Tsang claimed that in his position he represented both sides of view in Hong Kong. "I'll never be able to please everyone here or in Beijing." That said, Tsang continued that Hong Kong is "doing its own thing" without needing Beijing's approval in fighting for economic growth, stopping the recession and dealing with social issues like H1N1 influenza. Tsang said he had to be very careful in talking about constitutional development in Hong Kong. One country, two systems must succeed, Tsang said, and we are doing a "reasonably good job."

Need for Fenwick Pier Replacement Facility

¶7. (SBU) The CG then expressed concern over the expected loss in 2011 of the Fenwick Pier landing site for U.S. and other countries' visiting naval vessels, as a result of land reclamation and redevelopment. The CG noted that the U.S. Consulate and Consulates of other interested nations have engaged Secretary for Development Carrie Lam on the issue and that concerned Consulates would be sending a letter in the near future to Lam outlining our mutual concerns about finding a long-term solution. The CG said Secretary Lam has been working very constructively to attempt to find other suitable facilities to support continued foreign navy port calls to Hong Kong (perhaps the most fabled port of call in the world. Tsang reiterated the importance of connecting the west and east sides of Hong Kong Harbor through the land reclamation project and said this was a critical part of Hong Kong's harbor development. He promised he would talk with Secretary Lam about progress on this issue.

Nutritional Labeling Legislation) Devil in the Details

¶8. (C) The CG then raised our concerns over Hong Kong's new nutritional labeling law that will take effect on July 1, 2010. He noted that he and Consuls General from 14 other Consulates and the EU in Hong Kong had sent a joint letter last month to Chief Secretary (CS) Henry Tang expressing concern over administrative delays that could occur due to lack of clarity of product registration procedures. Concerns

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focused on food products that would qualify under a "small volume exemption" (SVE). More than half of the 65,000 packaged food products sold in Hong Kong will qualify for the SVE. (Note: Under Hong Kong's one-of-a-kind nutritional labeling scheme, beginning July 1, 2010, all food products must have labels that specify energy (calories) plus seven core nutrients. Under the SVE, the HKG would accept country-of-origin labeling on products with annual unit sales of less than 30,000, as long as those products make no nutritional claims (such as "low fat," "zero transfats," or "omega 3") on their packaging. Such nutrition claims automatically cancel the SVE.) The CG noted that the CS' response did not seem to reflect a sense of urgency both with respect to the need to clarify regulations for the trade, and to ensure adequate time to register products well before July 1, 2010; rather, the CS had thanked the Consulates for their strong support of the new legislation. The CG further noted that HKG Food, Environment and Health Department (FEHD) officials who briefed the trade on implementation of the SVE had given conflicting and confusing answers on what would happen to products already on store shelves once sales surpassed 30,000 units. FEHD officials also were not certain what method they would use to determine when the 30,000 limit was reached (after which time the products would have to be relabeled to comply with Hong Kong's unique nutritional requirements). Warning that the devil is in the details, the CG urged the CE to monitor this issue. As the United States'

fifth-largest market for food products, it was critical that Hong Kong implement the new legislation smoothly and ensure it was clearly understood to avoid disruption of trade.

¶9. (C) The CE thanked the CG for the explanation, agreed with the concerns he raised and promised to consult with CS Tang on implementation of the law. He stressed that the intent of the legislation was not to exclude products from Hong Kong's market but to help consumers make informed food choices. The HKG wanted to help importers and producers comply with the legislation. Acknowledging the CG's observation that last year a proposed amendment that would have introduced greater flexibility to the SVE had failed by a single vote in LegCo, the CE quipped that this demonstrated rule of law in Hong Kong. In closing, the CE wished CG Donovan well in his new assignment and again conveyed his invitation to the President to visit Hong Kong when he travels to Beijing.

DONOVAN